

FY20 Results Presentation

Transportes Aéreos
Portugueses, S.A.



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This document shall be read jointly with TAP's 2020 consolidated annual report available in www.tapairportugal.com.

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This document may contain forward-looking information and statements, based on management's current expectations or beliefs. Forward-looking statements are statements that shall not be interpreted as historical facts.

These forward-looking statements are subject to a number of factors and uncertainties that can cause actual results to differ materially from those described in the forward-looking statements, including, but not limited to, changes in regulation, in the airline industry, in competition and in economic conditions. Forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "projects", "intends", "should", "seeks", "estimates", "future" or similar expressions.

Although these statements reflect our current expectations, which we believe are reasonable, investors, and, generally, all the recipients of this document are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond our control, that can cause actual results and developments to differ materially from those expressed in, or implied or projected by the forward-looking information and statements. All the recipients of this document are cautioned not to put undue reliance on any forward-looking information or statements. TAP does not undertake any obligation to update any forward-looking information or statements.

The Management believes that the preparation of the financial statements as at 31 December 2020 should be made on a going concern basis, based on (i) the approval by the European Commission, on 10 June 2020, of the State aid to TAP Group, in the form of a loan in the amount of EUR 1.2 billion, (ii) the Restructuring Plan approved by TAP Group, which presents a perspective of gradual growth of its activity, despite the relevant reduction embedded in the projections compared to its activity prior to the COVID-19 pandemic, combined with a strategy of fleet reduction, reduction of operational costs and investment, (iii) the shareholder's financial support and/or ability to obtain external financial resources (iv) as well as the ongoing interactions with the European Commission about the adequacy of the Restructuring Plan, the fundamental purpose of which is to ensure the financial and economic sustainability, viability and continuity of the operations of TAP Group.



AGENDA

FY20 Results Presentation

1

Operations FY2020

2

Financials FY2020

3

Restructuring Plan

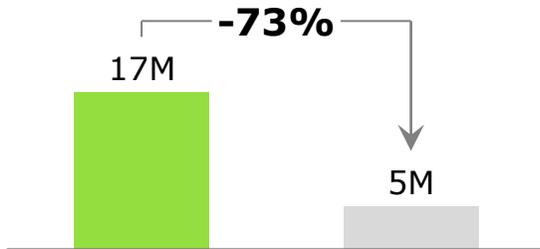
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Year 2021 and Latest Developments

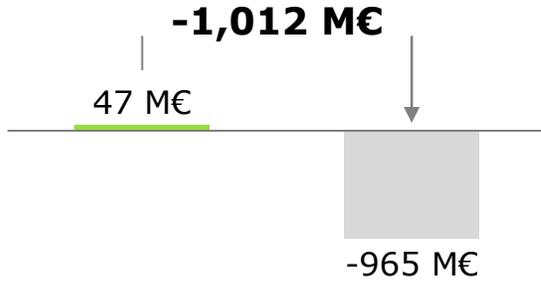
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2020: one of the most difficult years in the 75 years of TAP's history

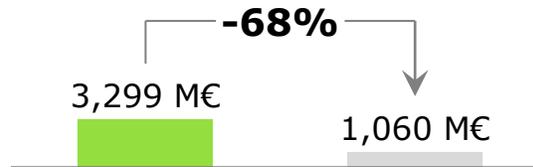
Passengers



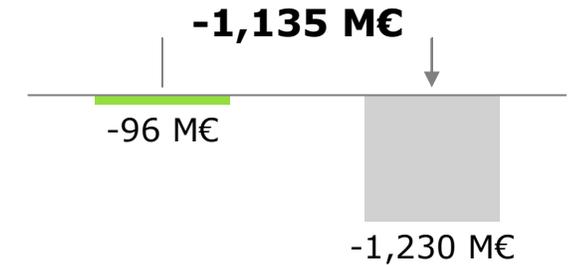
EBIT (M€)



Revenues (M€)



Net income (M€)



1

TAP reaction to COVID-19 Crisis

TAP reacted rapidly to the crisis during 2020



Capacity Adjustment

TAP **reduced ~80% of its capacity** since March 2020 until the end of the year, with ~35% reduction in March¹

TAP's capacity reduction since March 2020 was **more aggressive than industry average (~70%)**



Tactical Focus on Cargo

TAP leveraged growing cargo demand, **converted 2 A330 into cargo-only aircraft**

Charter flights represented 22% of TAP's Cargo revenue in FY20

Despite the decrease in cargo revenue, **TAP's cargo yield increased** in FY20 (**+54%, YoY**)



Fleet Adjustment

TAP **phased-out 16 older generation aircrafts**, increasing **fuel-efficient and environmental-friendly aircraft usage**

Despite the fleet reduction, TAP's operating fleet is still diversified allowing the company to **leverage on its lower size fleet** on a low and ever-changing demand environment



Cash Position Consolidation

TAP took **different actions to consolidate its cash position** related with CAPEX and working capital, sales, personnel, network and fleet, and operating costs

1. Versus homologous period of 2019.
Source: TAP internal data.

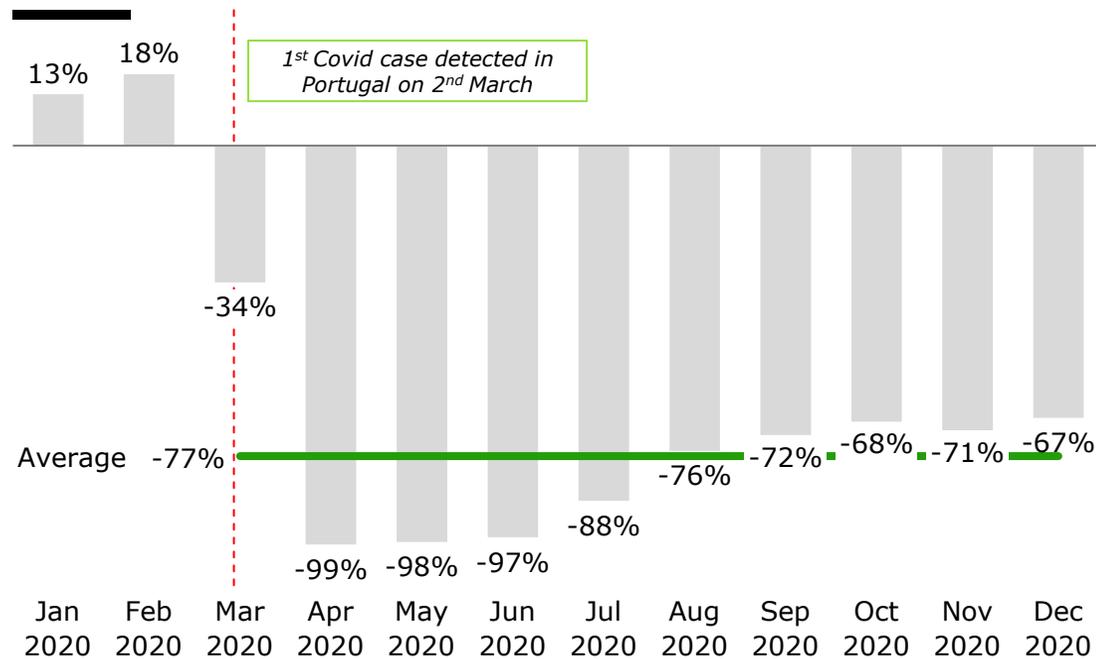
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TAP reaction to COVID-19 Crisis | Capacity Adjustment

TAP reacted rapidly to the crisis by significantly cutting capacity, reducing variable costs burden

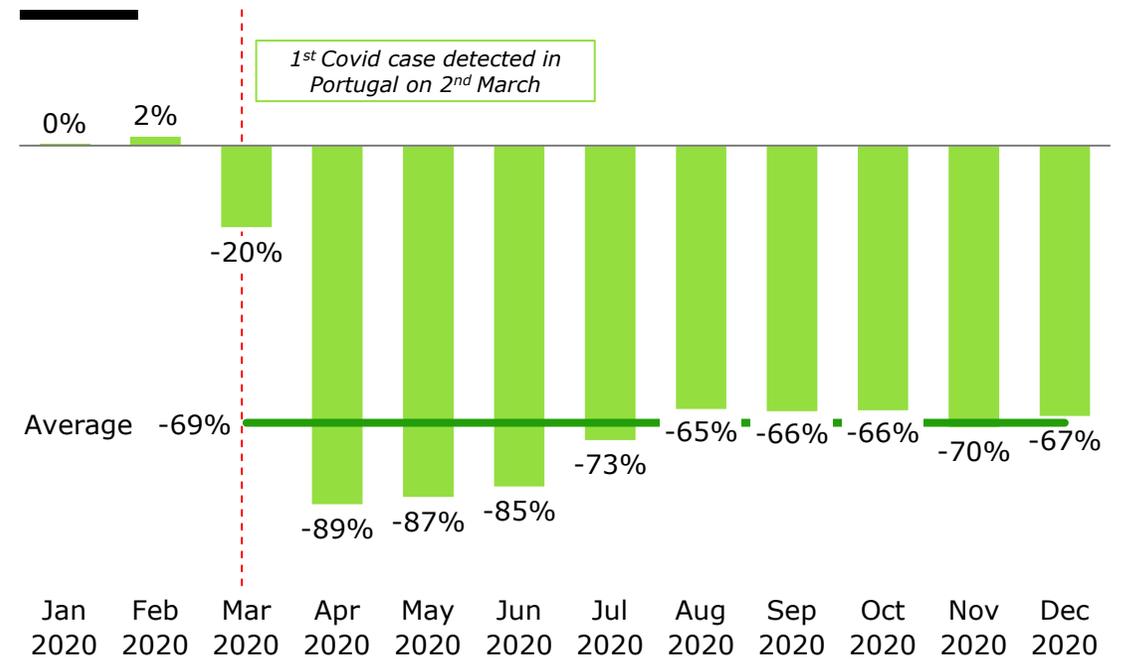
TAP's capacity

Change in ASK of TAP's network, YoY



Industry capacity from and/or to Europe

Change in ASK of all flights with origin and/or European destination, YoY¹



1. Source: SRS Analyzer.

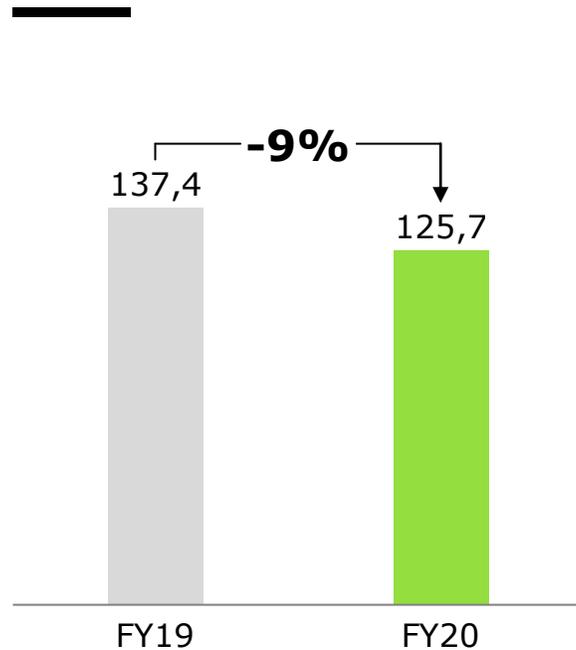
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TAP reaction to COVID-19 Crisis | Tactical Focus on Cargo

Cargo business was the segment with the best performance

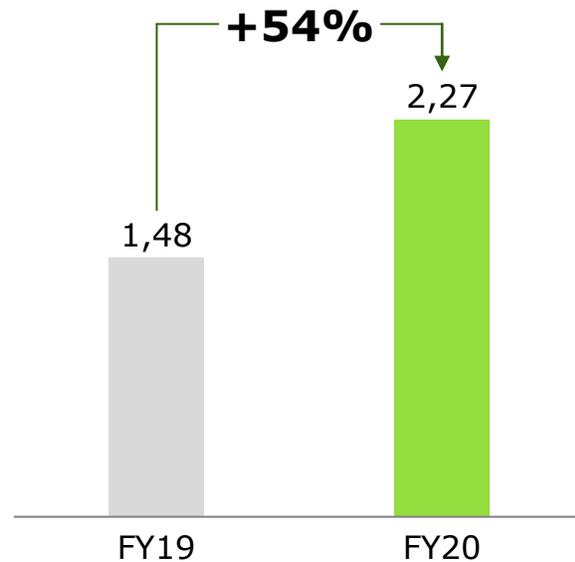
Operating Revenue

EUR million



Cargo Yield

EUR cents



Despite the slight decrease in cargo operating revenue during FY20, **TAP's cargo yield increased significantly (+54%, YoY).**

Charter flights were responsible for **22% of TAP Air Cargo's operating revenue in FY20** –partially offsetting the decrease in cargo revenue in passenger flights ("belly" capacity).

Converted **2 A330** into **cargo-only aircraft**, by removing all economy class seats.



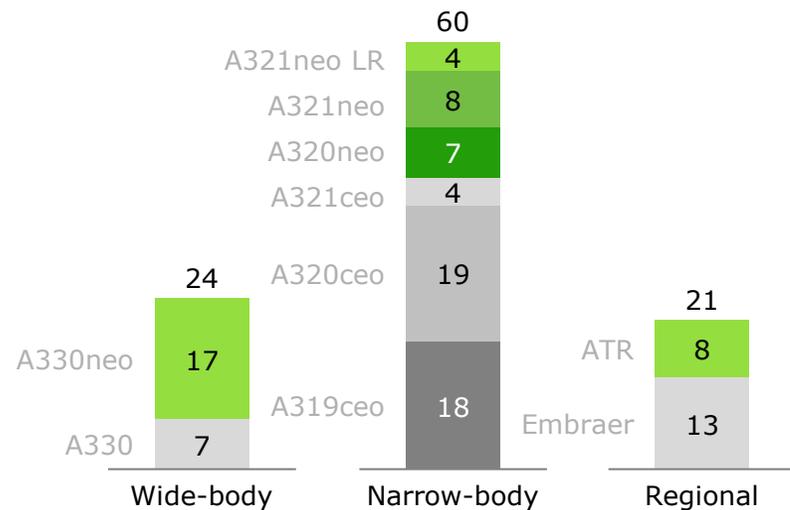
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TAP reaction to COVID-19 Crisis | Fleet Adjustment

Adjusted fleet to a low-demand environment and reduced emissions through more efficient aircrafts

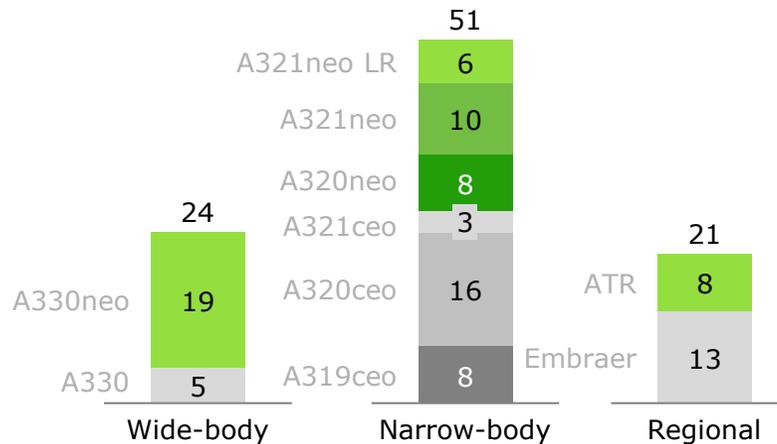
Fleet

Number of aircraft (December 31, 2019)¹



Fleet

Number of aircraft (December 31, 2020)¹



During 2020, TAP **phased-out 16 older generation aircraft.**

NEO increased weight in total fleet lead to a higher usage of more **fuel-efficient** and **environmental-friendly aircraft.**

TAP's operating fleet is allowing to **use the right aircraft for the right market**, depending on the speed of the demand recovery.

The regional fleet & A321neo LR represents a strong competitive advantage in a low-demand environment.

1. Fleet available for operations. Regional fleet includes wet-leases (Portugália, White).

1

TAP reaction to COVID-19 Crisis | Cash Position Consolidation

Several initiatives were undertaken to mitigate adverse impacts and consolidate cash position

CAPEX and Working Capital

- Deferral of non-critical CAPEX decisions
- Working capital adjustment with renegotiation of payment terms with suppliers
- Reduction in non-essential expenditures

Sales

- Commercial incentives to customers to accept vouchers instead of cash reimbursements
- TAP's loyalty program (Miles&Go) managed to sustain and increase revenues in an extremely adverse environment

Personnel

- Suspension of new hires and promotions
- Non-renewal of temporary employment agreements
- Implementation of programs for temporary unpaid leave
- Temporary Layoff according to Decree-Law 10-G/2020, of March 26

Network & Fleet

- Negotiations with lessors to defer payments and adjust rents to the current market environment
- Agreement to delay aircraft's phase-ins with Airbus and spare engines deliveries
- Capacity deployment (upgauge/downgauge) across markets in order to better match demand

Operating costs

- Transversal cost reduction with focus on contract renegotiation and removal non-essential costs

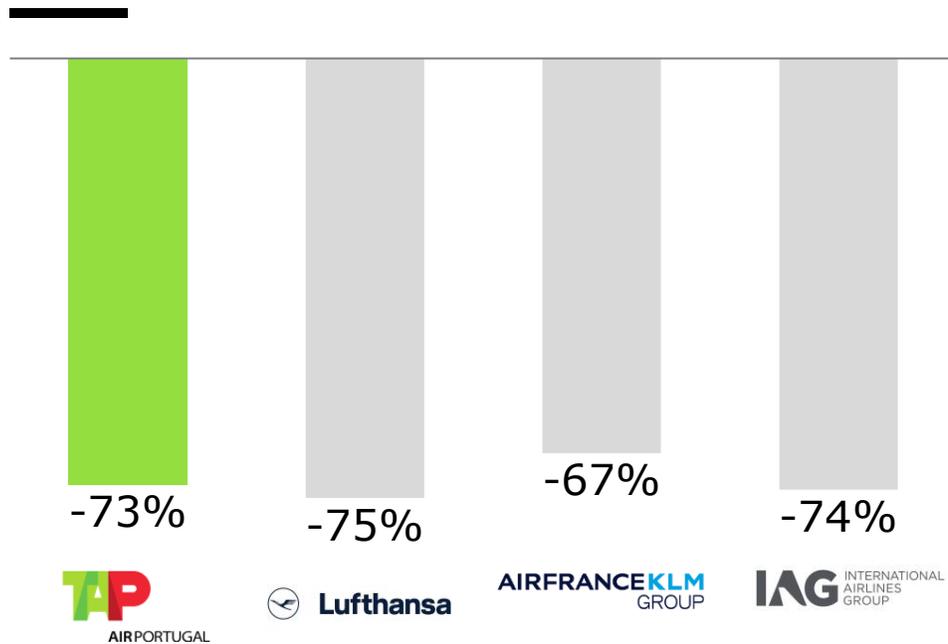
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COVID-19 impact in Europe

The sharp decrease in passenger demand was widespread across European carriers

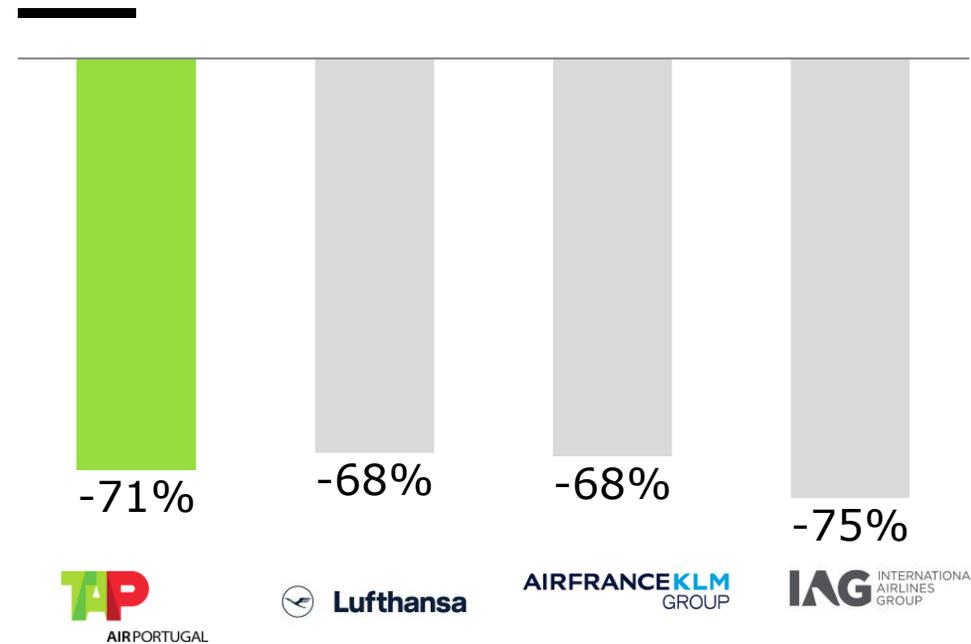
Passengers

FY20, YoY¹



Passenger Revenue

FY20, YoY¹



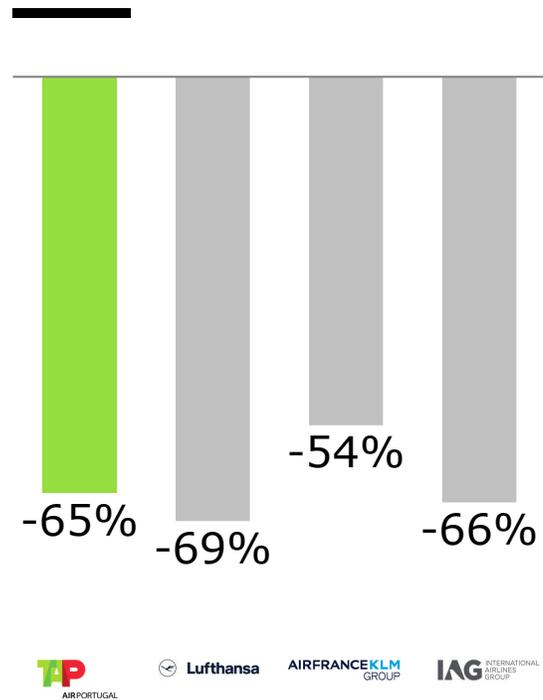
1. Source: TAP internal data, companies' FY20 annual report.

1

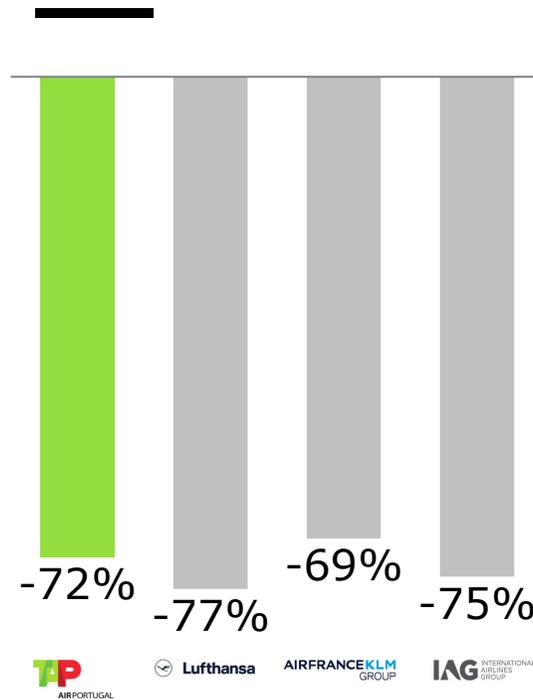
COVID-19 impact in Europe

TAP's capacity reduction since March 2020 contributed to a lower drop in passenger load factor

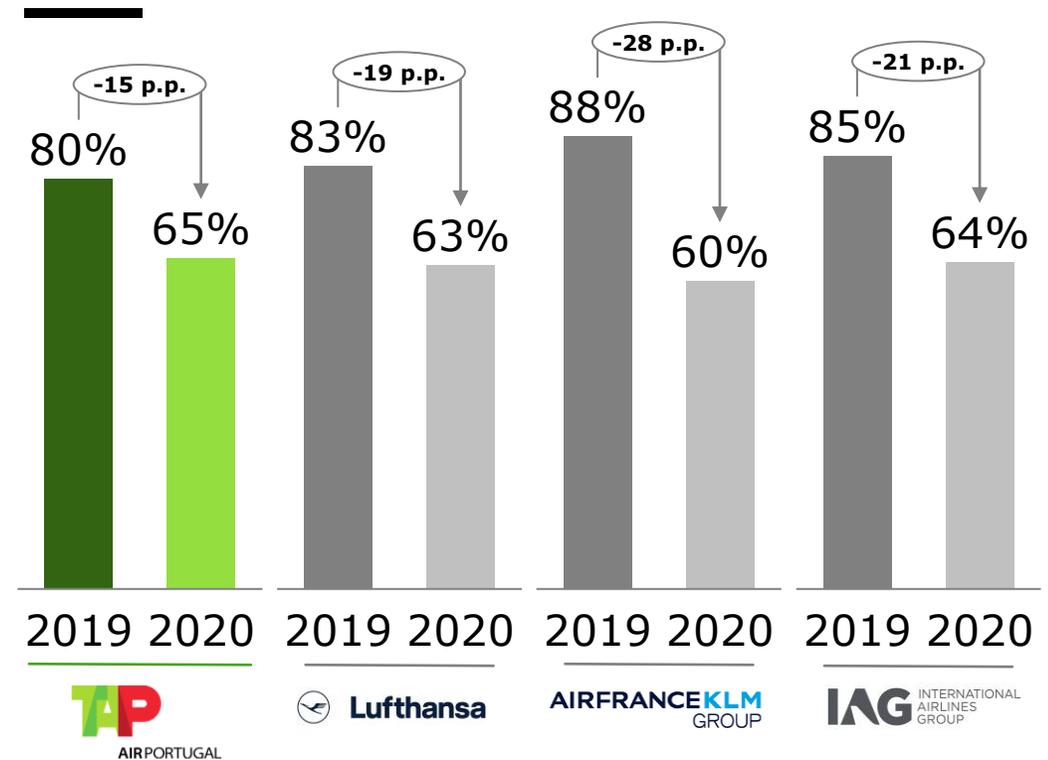
ASK
FY20, YoY¹



RPK
FY20, YoY¹



Load Factor
ASK/RPK (%)¹



1. Source: TAP internal data, companies' FY20 annual report.



AGENDA

FY20 Results Presentation

1

Operations FY2020

2

Financials FY2020

3

Restructuring Plan

4

Year 2021 and Latest Developments

2

Main Operational indicators

TAP operations decreased dramatically in 2020 vs. 2019

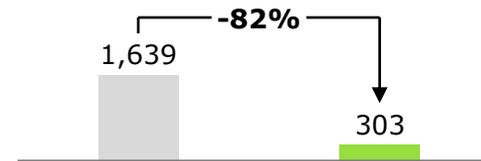
Passenger Revenue

EUR million

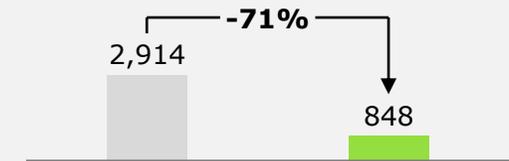
1st Half



2nd Half

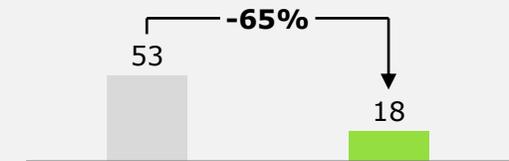
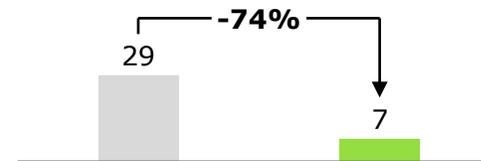


Full Year



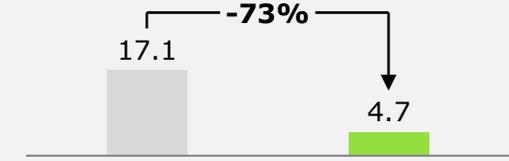
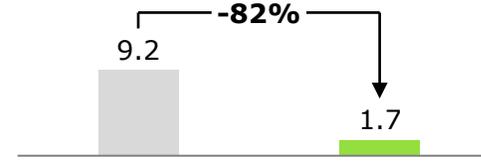
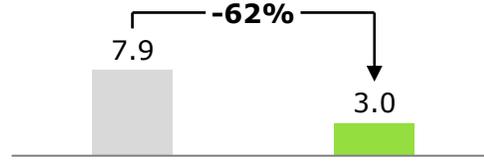
ASKs

Billions



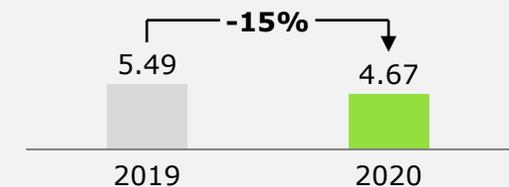
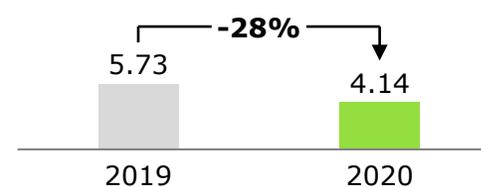
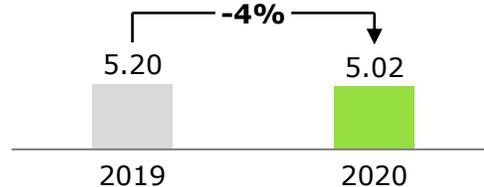
Passengers

Millions



PRASK¹

EUR cents



1. PRASK adjusted for average stage length.

2

Main Financial Indicators

TAP's operations decrease largely contributed to a reduction in its financial performance

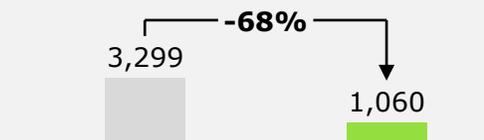
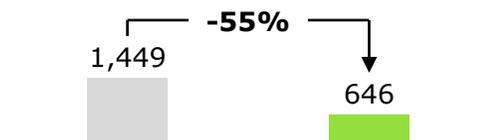
Total Operating Revenue

EUR million

1st Half

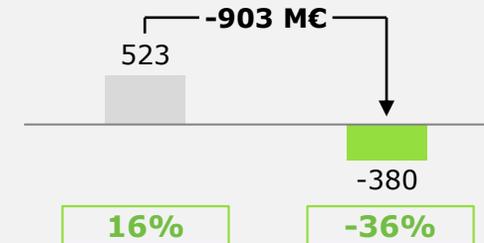
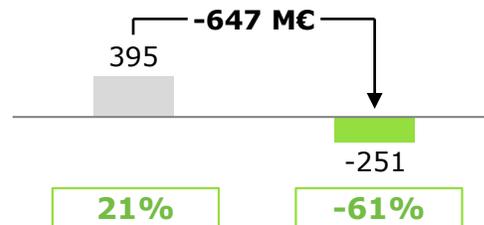
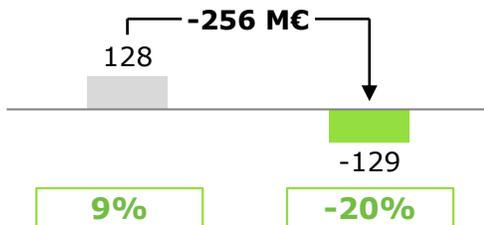
2nd Half

Full Year



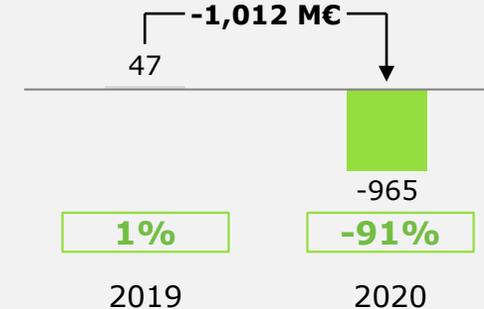
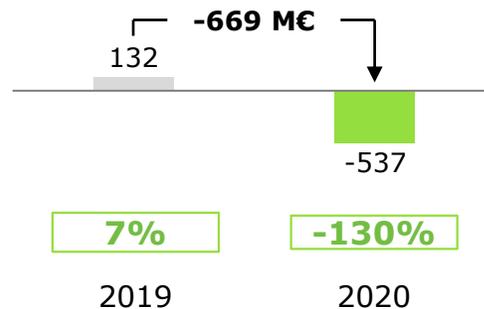
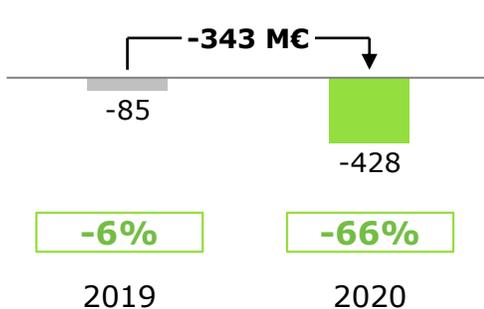
EBITDA¹

EUR million



Operating Result (EBIT)

EUR million



1. EBITDA = EBIT + Depreciation, amortization and impairment losses.

Margin a % of Total Operating Revenue

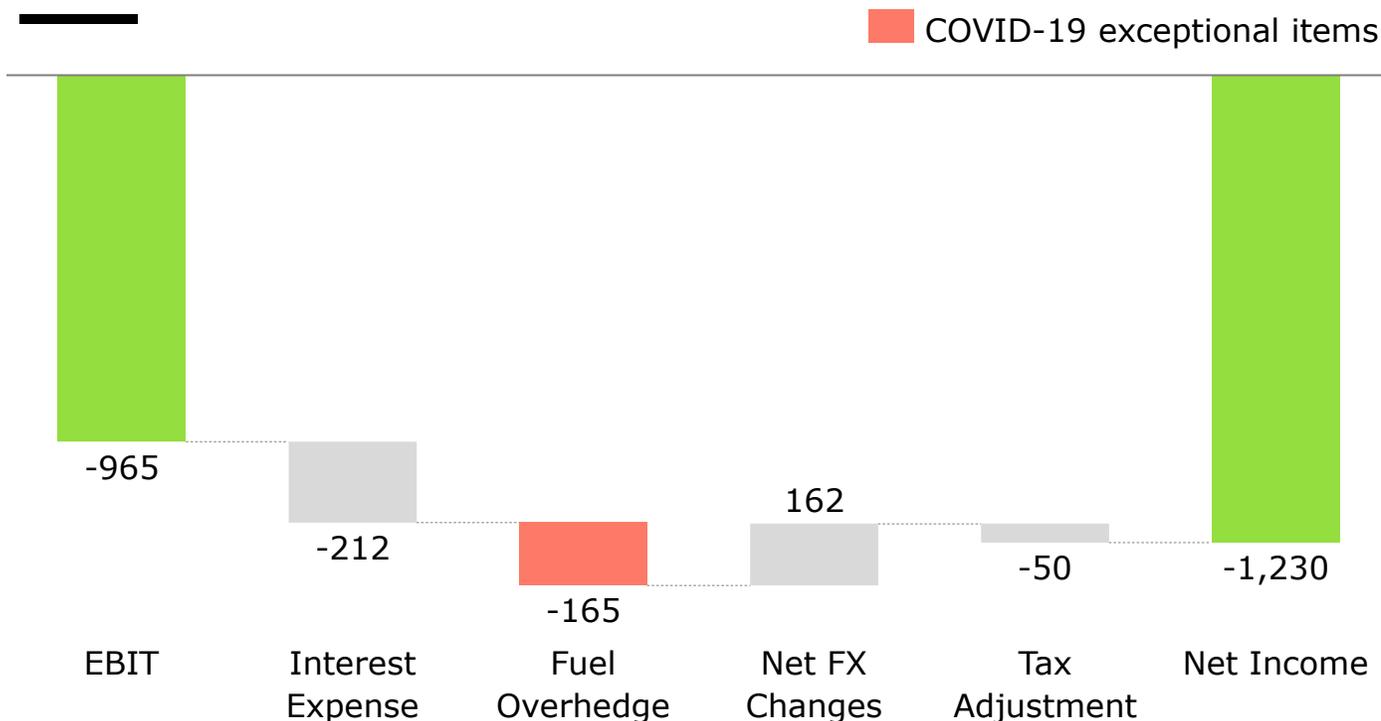
2

Other Financial Indicators | Net Income

Fuel Overhedge charges were a significant headwind to FY20's Net Income

FY20 Net Income Bridge

EUR million



Fuel overhedge amounted to 165 M€ during FY20 – out of which a significant portion represented **cash outflows**.

Net FX changes, on the other hand, were a tailwind for FY20's Net Income.

However, nearly 160 M€ represented a foreign exchange gain related to operating leases, on the back of IFRS 16. Therefore, the **cash impact wasn't significant** during FY20.

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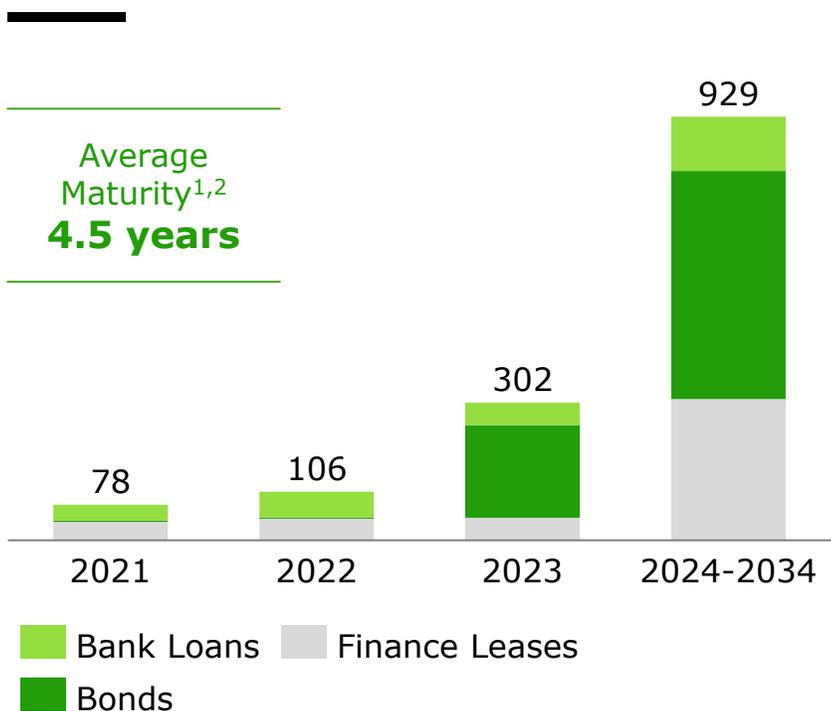
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Other Financial Indicators | Financial Debt Profile

A significant part of TAP's gross financial debt will only be amortized from 2024 onward

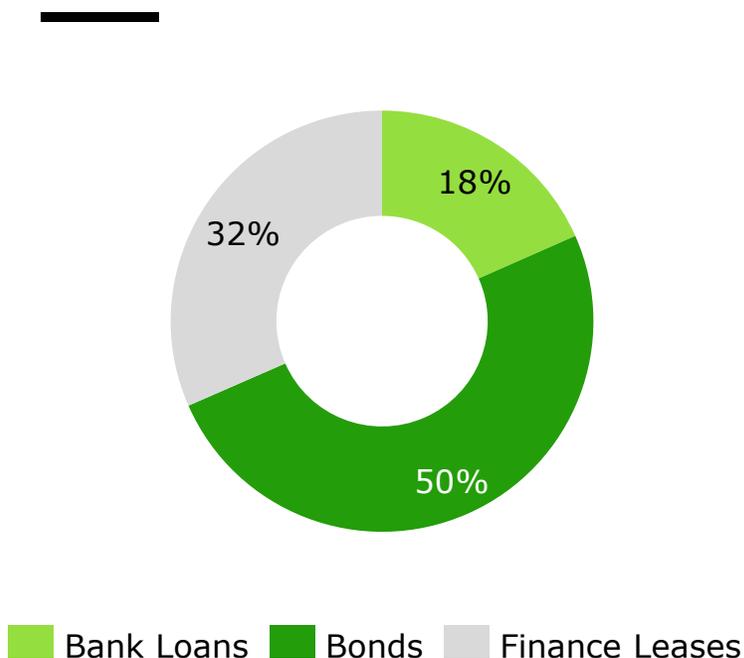
Debt Amortization Schedule^{1,2}

As of December 31, 2020
EUR million



Financial Debt Breakdown^{1,2}

As of December 31, 2020
EUR million



As of Dec 31, 2020, over 65% of TAP's financial debt to be amortized from 2024 onward

1. Gross financial debt, excluding operating leases, accruals and deferrals and Portuguese State loan (EUR 1,200 million). 2. Differs from the maturity schedule in the FY20 financial statements being the differences (i) does not include the loan (EUR 1,200 million) from the Portuguese State, (ii) considers 2 financing facilities with waivers to be formalized in their current maturities (instead of considering current liabilities). Considering the maturity schedule in the FY20 financial statements, the average maturity of gross financial debt would be 2.1 years.

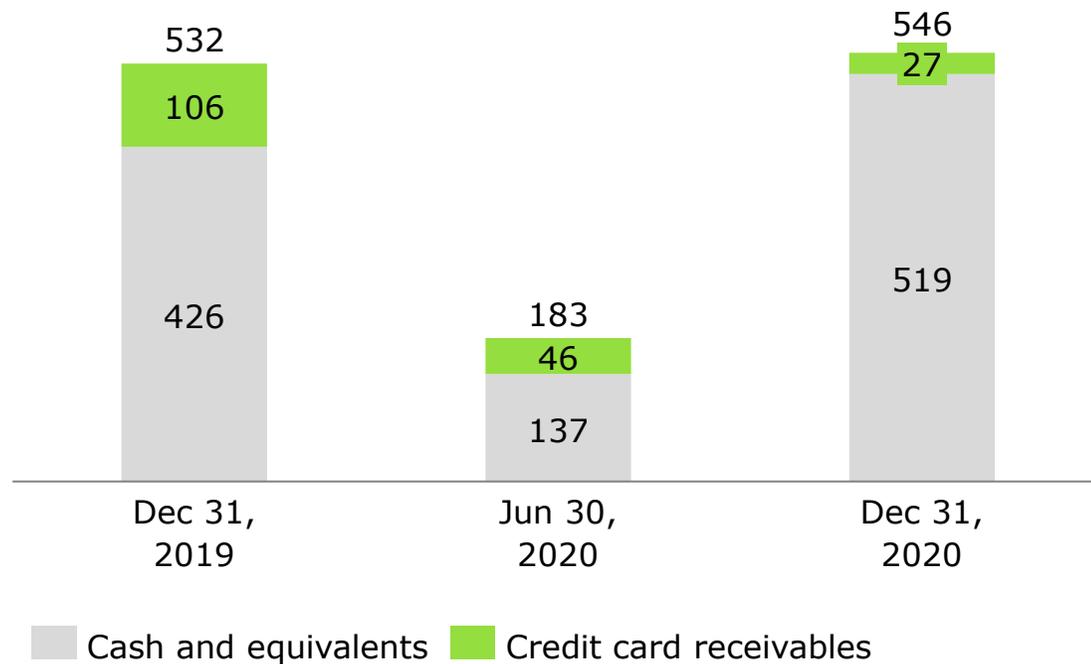
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Other Financial Indicators | Liquidity Position

TAP's solid cash position prior to the crisis coupled with cash preservation initiatives promptly implemented allowed the company to "navigate the turbulence" until State aid was received

Liquidity

EUR million



TAP's liquidity position as of December 31, 2020 was **EUR 546 million** (including credit card receivables from Brazil).

The cash position at year end reflects the last drawdown of the loan of EUR 1,200 million granted by the Portuguese State.

2

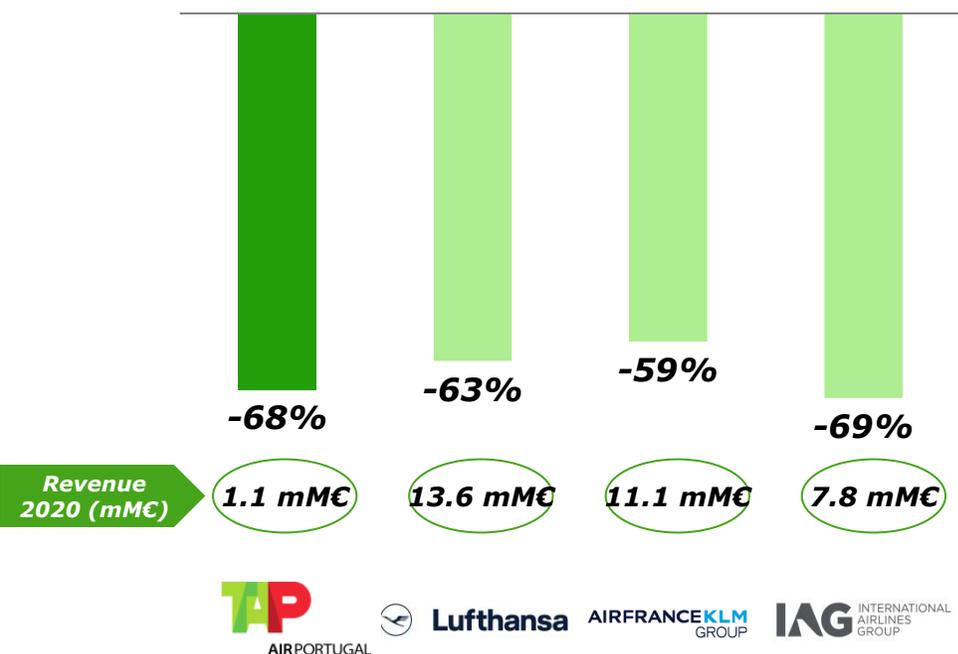
TAP's Main Financial Indicators versus Peers

TAP's financial results' variation is in line with peers

Total Revenue

FY19 and FY20, mM€¹

■ Revenues growth in 2020 vs. 2019

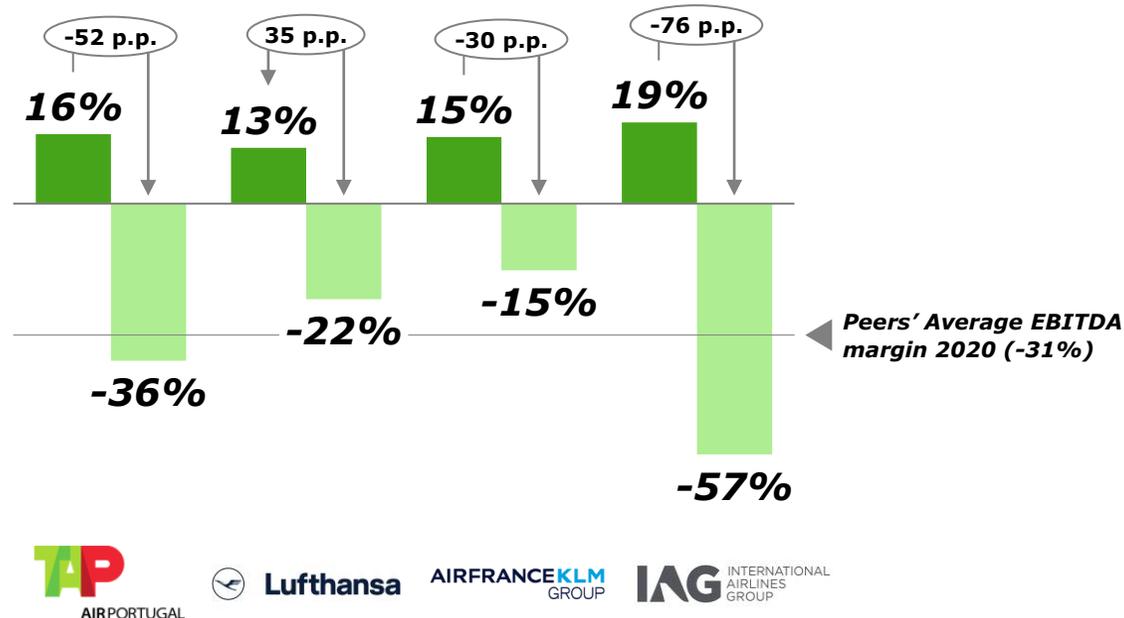


EBITDA Margin

FY19 and FY20, % of total revenues^{1,2}

■ EBITDA margin 2019

■ EBITDA margin 2020



1. Considering Lufthansa's FY20 Total Revenue (which differs from total operating income).

2. EBITDA = EBIT + Depreciation, amortization and impairment losses. IAG's EBITDA margin for 2020 includes an exceptional charge of EUR 3,061 million.



AGENDA

FY20 Results Presentation

1

Operations FY2020

2

Financials FY2020

3

Restructuring Plan

4

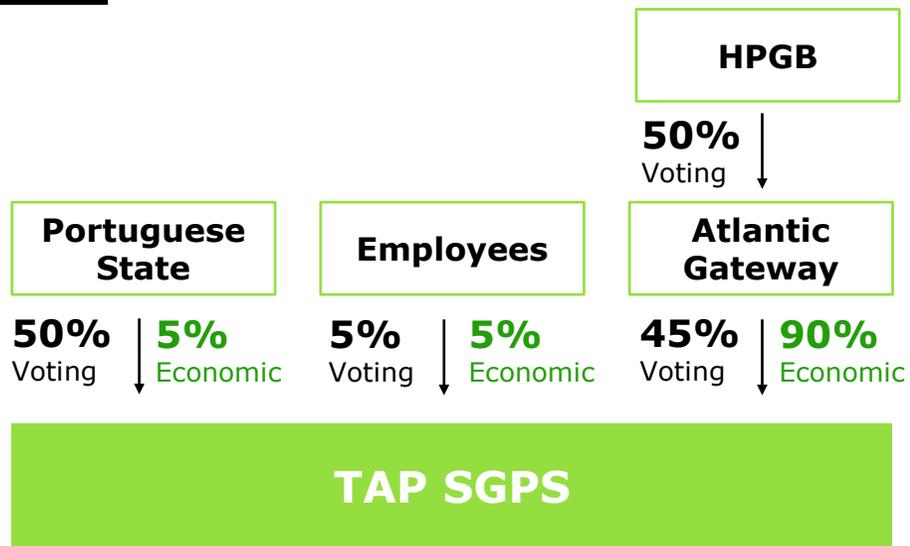
Year 2021 and Latest Developments

3

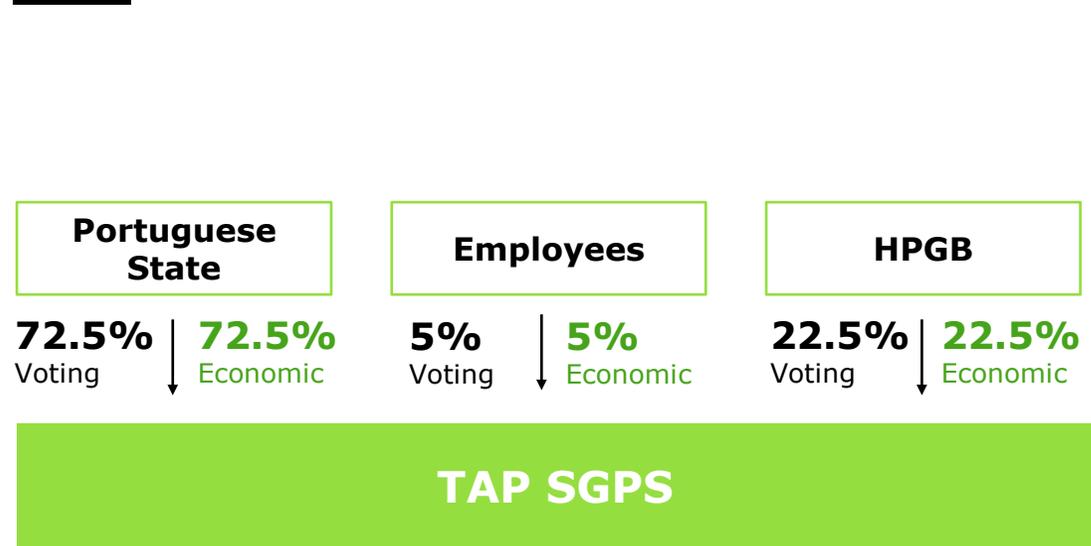
State Aid and A New Shareholder Structure

The Government Aid was approved by European Commission as of June 10 and started to be received in July 17, being total amount of 1.2 bn€ received by 31 December 2020.
 Portuguese Government acquired 22.5%, owning now 72.5% of TAP SGPS

Shareholder structure before transaction



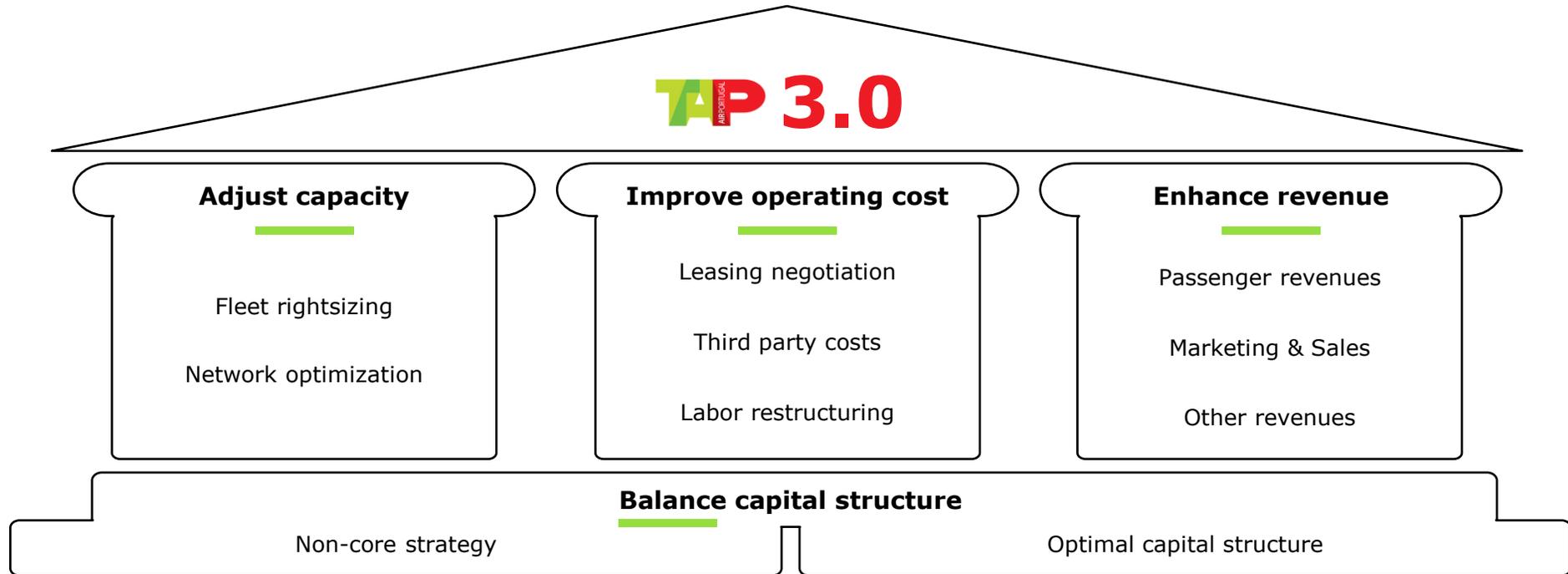
Shareholder structure after transaction



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TAP's Restructuring Plan 2020-2025

The plan has 4 major pillars



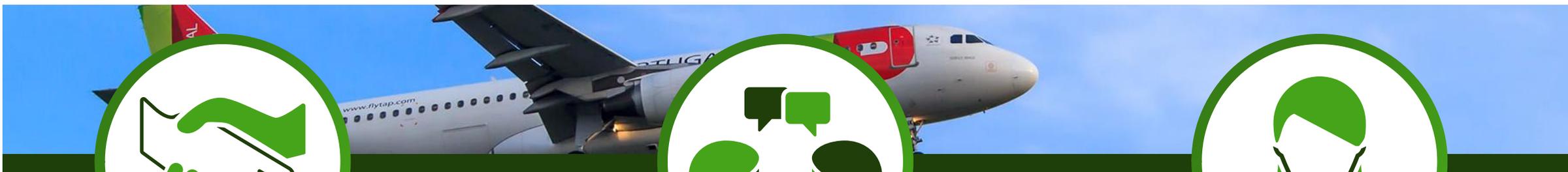
Several Achievements

- ✓ Network optimization, adapting to uncertain demand levels
- ✓ Fleet reduction in 2020, leveraging hub location
- ✓ Renegotiation of payment terms with +1.000 suppliers

3

Labor capacity adjustments

Considering the exogenous demand shock TAP will need to adjust its labor capacity



~690 workers accepted the conditions described in the **voluntary measures (VM)**



~750 jobs saved with the celebration of the measures arising from the **Emergency Agreements** with the **14 TAP's unions**



Reduction of ~490-600 from the initial **right-sizing number** with the implementation of the VM program and with the Emergency Agreements

Note: Values as of 9th April



AGENDA

FY20 Results Presentation

1

Operations FY2020

2

Financials FY2020

3

Restructuring Plan

4

Year 2021 and Latest Developments

4

Year 2021

TAP sees 2021 as the start of new chapter of its history fostering its operations recovery



Restructuring plan approval

- DG Comp will analyze the restructuring plan, being it expected that the same is approved during H1 2021¹

Potential industry recovery with vaccination

- Vaccine implementation can speed up recovery by 14-21 p.p. in 2021²
- ~30% of USA's and UK's, and ~10% of Portugal's population already vaccinated³

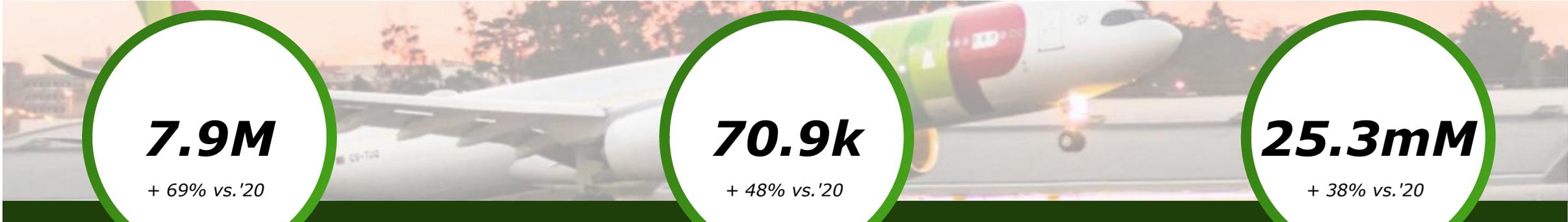
TAP's targeted growth

- TAP's has and will open several new routes to target industry recovery (e.g. Cancun, Fuerteventura, Ibiza, Santiago de Compostela, Zagreb, Djerba, Agadir, Monastir e Oujda)
- TAP will leverage its cargo business to boost its recovery

1. Potential negotiations between TAP and DG Comp can take place before a final decision; 2. Versus a no efficient and no widespread vaccination scenario, considering the forecasts as off October 2020; 3. People vaccinated considers people that have received at least one dose; Note: Values as of 12th April 2021; Source: IATA / Oxford Economics –Air Passenger Forecast Global Report August and October 2020; Bloomberg

4

2021 TAP's expected operational and financial KPIs



Pax

Flights

ASK



Pax Revenues

Cargo Revenues

Main Subsequent Events

Operating Capacity

TAP suspended 93% of its operation during February 2021, due to restrictions on flights and mobility imposed by the authorities of the countries where TAP operates.

During this period, TAP continued to ensure national air mobility between Lisbon, Oporto, Madeira and the Azores, as well as international air connection to cities with relevant Portuguese communities.

Emergency Agreements

The Emergency Agreements entered into force on March 1, 2021, and enabled the protection of a greater number of jobs, in comparison with the alternate framework – **without prejudice to the metrics proposed in the Restructuring Plan.**

In addition to the implementation of voluntary labour measures, TAP also has the **option to adopt other types of measures to its resizing, to achieve the cost reductions forecasted in the Restructuring Plan.**

TAP
TAPGROUP

